

Islands Trust 2003-2004
Annual Report



Preserving **Island** communities, culture and environment



Islands Trust Annual Report 2003 – 2004

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Message from the Islands Trust Council Chair

During 2003–2004, the Islands Trust and Trust Council worked diligently to address unprecedented growth pressures on fragile Gulf Island ecosystems, opportunities arising from local government changes within the *Community Charter*; and the creation of the first Island Municipality on Bowen Island. We also launched a pilot project in the Gambier Island Local Trust Area with the introduction of the Natural Area Protection Tax Exemption Program which provides a tax break to landowners who voluntarily protect natural features on their property with conservation covenants.

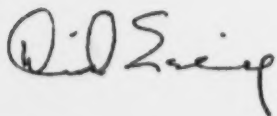
Following a review of the Islands Trust's management structure, Trust Council was pleased to appoint Linda Adams as Chief Administrative Officer for the Islands Trust in December 2003. Linda Adams has been a resident of Salt Spring Island for eighteen years and employed by the Islands Trust for the past thirteen years. She was the Regional Planning Manager for Salt Spring Island for eight years and was responsible for writing both the Salt Spring Official Community Plan and Land Use Bylaw. She served as Director of Trust Area Services since 2001.

The new Islands Trust northern office opened in a location on Gabriola Island in March 2004 to provide enhanced services to residents and property owners on Denman, Gabriola, Gambier, Hornby and Lasqueti Islands.

The Islands Trust Area is located within the traditional territory of numerous First Nations and several are participating in the treaty process. The Islands Trust Council has developed a guide to outline its interests in the BC treaty negotiation process. It focuses on topics that Council believes will ensure the success of negotiations, treaty settlements and on-going relationships with First Nations. It encourages early discussion, community education and coordinated land use planning.

Public participation is at the core of the Islands Trust decision-making process. I encourage you to get directly involved with the Islands Trust by becoming members of advisory committees or commissions. You can also attend regular meetings of local trust committees and trust council. Please contact your local trustees or the Islands Trust for times, dates and locations of these meetings. As well, we continue to have "Town Hall" sessions at all of our Trust Council meetings and most of our Local Trust Committee meetings. Please come and join us in these informal discussions and share your ideas with us about how we can work better together to achieve your aspirations for our islands.

It has been an honour to lead the Islands Trust as we work to meet the challenges of delivering our "preserve and protect mandate" and I look forward to our continuing work together to create a legacy of healthy natural environments and healthy communities for the future generations of Islanders and for all British Columbians.



David Essig
Chair, Islands Trust Council

Message from the Islands Trust Fund Board Chair

It has been a pleasure to serve as Chairperson of the Trust Fund Board for the past year. Through the conservation work of the Islands Trust Fund, we have continued to protect the fragile ecosystems of the Islands Trust Area for both residents and visitors for many years to come.

Our focus for 2003-2004 included:

- acquisition and protection of special places,
- communication about conservation,
- property management, and
- regional conservation mapping.

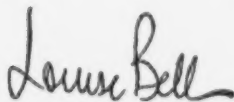
This year was a little different than other years in our history, as the Board decided to reduce our acquisition and covenant work in order that Islands Trust Fund staff could give more time to property management and current conservation projects. Accordingly, in July 2003, the Board placed a six-month moratorium on the consideration of new proposals for conservation covenants and acquisitions, with the exception of potential land donations and potential covenants for the new Natural Area Protection Tax Exemption Program.

Despite the moratorium, three new conservation covenants, all the outcome of projects already underway, were registered on Pender Island, Sidney Island and Saturna Island, protecting a total of 22.76 ha (56.25 acres). We also completed the Management Plan for Loretta's Wood Nature Reserve, and we undertook monitoring visits to all of our protected properties, both those owned outright and those protected with conservation covenants. Also, in addition to our own on-going fundraising, we continued to assist The Land Conservancy of BC with its fundraising efforts to protect the 187-hectare Link Parsons property on Hornby Island, which is now the Mount Geoffrey Escarpment Provincial Park.

In March 2004, the Islands Trust and the Islands Trust Fund completed a three-year mapping project by jointly releasing ecosystem maps for the major islands in the Islands Trust Area. The maps describe both natural and modified ecosystems across Gulf Island landscapes. The Islands Trust Fund will use the maps to determine the most significant areas for conservation and to develop a regional conservation plan.

We continued to tell the story of the Islands Trust Fund and the need to protect important ecosystems across the islands by producing the fifth edition of our annual newsletter, *The Heron*, and by issuing regular press releases and articles. In addition, we developed a new website and a new promotional brochure, and we released our next five-year Islands Trust Fund Plan.

This work is both challenging and rewarding. Few areas of Canada enjoy the biodiversity and beauty found in the Gulf Island and experience the intense development and population growth pressures now occurring in this region. The lands we protect today will be a legacy forever. I look forward to working with the Islands Trust Fund Board and our many partners next year to continue protecting the unique amenities and environment of the Islands Trust Area.



Louise Bell
Chair, Trust Fund Board

Message from the Chief Administrative Officer

The past months have been an exciting period of change within the Islands Trust. We have undertaken a number of administrative changes, reviewed the organization's management structure, navigated a change in leadership and opened an additional on-island office to serve our communities.

Staff Appointments

In December 2003, Gordon McIntosh resigned from his position as Executive Director. Gordon had joined the Islands Trust in 1991, shortly after the Islands Trust gained autonomy as a federation of local government bodies. Gordon's outstanding contribution to the Islands Trust was recognized at a farewell reception during the quarterly Trust Council meeting in Victoria.

A review and consequent change in management structure resulted in the establishment of the position of a Chief Administrative Officer (CAO). The Office of the CAO combines the roles of the Executive Director and Director of Trust Area Services and consolidates all Trust-wide program and policy functions in one office.

I was delighted to be appointed to my new position as CAO with the Islands Trust in early December of 2003, after having served the Islands Trust as Regional Planning Manager of Salt Spring Island for eight years and as Director of Trust Area Services since 2001.

In other staff news, Miles Drew accepted the position of Bylaw Enforcement Officer in May 2003 and was joined by two more Bylaw Enforcement Officers, George Leukefeld and Peter Philips, in June 2003. Also in June, Tara Todd-Macdonald joined the Trust Fund as Secretary.

The Islands Trust's new northern office opened on Gabriola Island on March 8, 2004. It now houses six planning, administrative and bylaw investigations staff who provide services to Denman, Gabriola, Gambier, Hornby and Lasqueti islands.

I look forward to meeting the challenges as we continue to work to improve the Islands Trust and the delivery of its unique mandate.



Linda Adams
Chief Administrative Officer

The Islands Trust Area



The Trust Area covers the islands and waters between the British Columbia mainland and southern Vancouver Island, including Howe Sound and as far north as Comox, with the exception of Texada Island. It is approximately 5200 square kilometres (2000 square miles) in size and has a resident population of approximately 23,000.

Located in the Strait of Georgia and Howe Sound, the Trust Area is a unique and special place – a scenic archipelago of 13 larger islands and more than 450 smaller ones. The area provides habitats for an exceptional variety of species: more than 200 types of migratory and resident birds, numerous species of fish and diverse marine and inter-tidal life, terrestrial wildlife and vegetation. Outstanding scenery and recreational resources include panoramic viewpoints, sheltered bays, protected marine waterways and anchorages that contribute to the location's beauty, appeal and tranquility.

The unique natural environment of the islands in the Strait of Georgia and Howe Sound has given the area national recognition. Realizing this, the government of British Columbia enacted special protective legislation entitled the *Islands Trust Act* in 1974. The *Act* states that the object of the Islands Trust is to "preserve and protect the Trust Area and its unique amenities and environment for the benefit of the residents of the Trust Area and of British Columbia generally, in cooperation with the municipalities, regional districts, improvement districts, other persons and organizations, and the government of British Columbia".

Organization & Responsibilities

The trust is a unique federation of independent local governments, including Bowen Island municipality, which plan land use and regulates development in the trust area. Like other communities in British Columbia, island communities elect their local representatives every three years.

There are two local trustees elected for each group of islands designated a local trust area or island municipality. Together, with an appointed chair from the Executive Committee, local trustees are responsible for land use decisions within their respective local trust area, excluding First Nation reserves. The Islands Trust Area is comprised of 12 local trust areas and one island municipality. Each local trust committee has land use jurisdiction over a major island, plus smaller islands and surrounding waters. This organizational structure ensures that land use decisions are made by the locally elected people who are part of each island community.

The Islands Trust is comprised of sixteen distinct corporate entities—Trust Council, Executive Committee, thirteen local trust committees, and the Trust Fund Board. Bowen Island Municipality is also located within the Islands Trust Area. Two municipal trustees represent the Bowen Island Municipal Council on Trust Council. The Bowen Island Municipal Council has responsibilities related to the Islands Trust Act.

The Islands Trust Council

The twenty-six member Trust Council establishes general policies for carrying out the object of the Islands Trust and is responsible for the financial management of the Islands Trust except for the Trust Fund. It provides an operational budget to the Islands Trust Fund. The Trust Council appoints staff and auditors and adopts an annual budget. Tax levies on properties within the Trust Area are the primary funding source for the operations of the Islands Trust, along with a Provincial grant and development application fees.

The Islands Trust Act requires Trust Council to implement a Trust Policy Statement that is applicable to the whole Trust Area. The Minister of Community, Aboriginal and Women's Services must approve the Policy Statement before it is adopted. The Policy Statement clarifies the positions and policies of the Islands Trust and provides guidance for other jurisdictions and governments with authority in the Trust Area for the formulation of policies, bylaws and plans that carry out the object of the Islands Trust. The Policy Statement guides the more specific plans and policies that are developed at the local level and ensures that those plans contribute to the implementation of the broader policies for the overall Trust Area.

Trust Council has three standing committees of trustees—Local Planning Committee, Trust Programs Committee, and Financial Planning Committee—to provide policy advice to Trust Council on Council's referrals and on committee initiatives. To receive minutes from Trust Council meeting held during 2003-2004, please contact the Islands Trust's Deputy Secretary at the Victoria office.

Executive Committee

The Executive Committee is comprised of the Chair of the Islands Trust Council and three Vice-Chairs, who are elected for three-year terms by Trust Council from among its members. It carries out the daily business of the Islands Trust and reviews the bylaws of Local Trust Committees to ensure compliance with the Islands Trust object and Policy Statement. The Executive Committee also acts as a Local Trust Committee for that part of the Trust Area that is not included within any other Local Trust Area or Island Municipality.

Executive Committee Members 2003-2004

David Essig, Chair (Thetis)
Kim Benson, Vice-Chair (Gambier)
Wayne Wright, Vice-Chair (North Pender)
Gisele Rudischer, Vice-Chair (Gabriola)

Local Trust Committees/Island Municipalities

A local trust committee exists for each group of islands designated as a local trust area under the *Islands Trust Act*, except for Bowen Island, which is an island municipality.

Each Local Trust Committee has three members — two locally elected trustees and one Executive Committee member who serves as Chair. A Local Trust Committee is responsible for land use planning and regulation for its area of jurisdiction. Its responsibilities include preparation and adoption of Official Community Plans, Land Use Bylaws, zoning and subdivision bylaws, regulation of soil removal and deposit, and authorization of permits under Part 26 of the Local Government Act.

The Bowen Island Municipality is served by a seven-member Council which holds broad municipal powers including land use planning. The community elects two of the municipal councilors to Trust Council.

Local Trust Committees must submit their bylaws to the Executive Committee for approval before adoption. Island Municipalities must submit Official Community Plan bylaws to the Executive Committee before adoption. The Executive Committee also considers Island Municipality bylaws that refer to matters included in the Islands Trust Policy Statement. The Islands Trust Act and municipal letters patent establish procedures should the Executive Committee not approve a bylaw or consider it at variance to the Policy Statement.

Trustees of the Islands Trust 2003-2004

Bowen

Alison Morse, Doug Bowen

Denman

Tom Babb, Louise Bell

Gabriola

Sheila Malcolmson, Gisele Rudischer

Galiano

Louise Decario, Shelia Anderson

Gambier

Bob Gibson, Kim Benson

Hornby

Tony Law, Penny Griggs

Lasqueti

Rose Willow, Bronwyn Preece

Mayne

Rose Bennett, Jeanine Dodds

North Pender

Em Round, Wayne Wright

Salt Spring

Eric Booth, Kimberly Lineger

Saturna

Tom Johnstone, Brian Hollingshead

South Pender

John Henshaw, Alma Lightbody

Thetis

David Essig, Gail O'Hara

Trust Fund Board

The Board of Trustees for the Islands Trust Fund is comprised of two trustees elected by Trust Council, one trustee appointed by the Executive Committee and up to three people appointed by the Minister of Community, Aboriginal and Women's Services for terms of one to three years. The Islands Trust Fund is a conservation land trust that can acquire and manage land for conservation, hold conservation covenants on private land and accept donations to help preserve places of natural significance or cultural value within the Trust Area.

Every five years, the Trust Fund Board prepares a Trust Fund Plan for approval by the Minister of Community, Aboriginal and Women's Services. The plan establishes policies regarding the operations of the Islands Trust Fund.

Donations to the Islands Trust Fund help preserve and protect special places in the Trust Area. The Islands Trust Fund provides tax receipts for such gifts.

Trust Fund Board Member 2003-2004

Louise Bell, Chair (Denman)

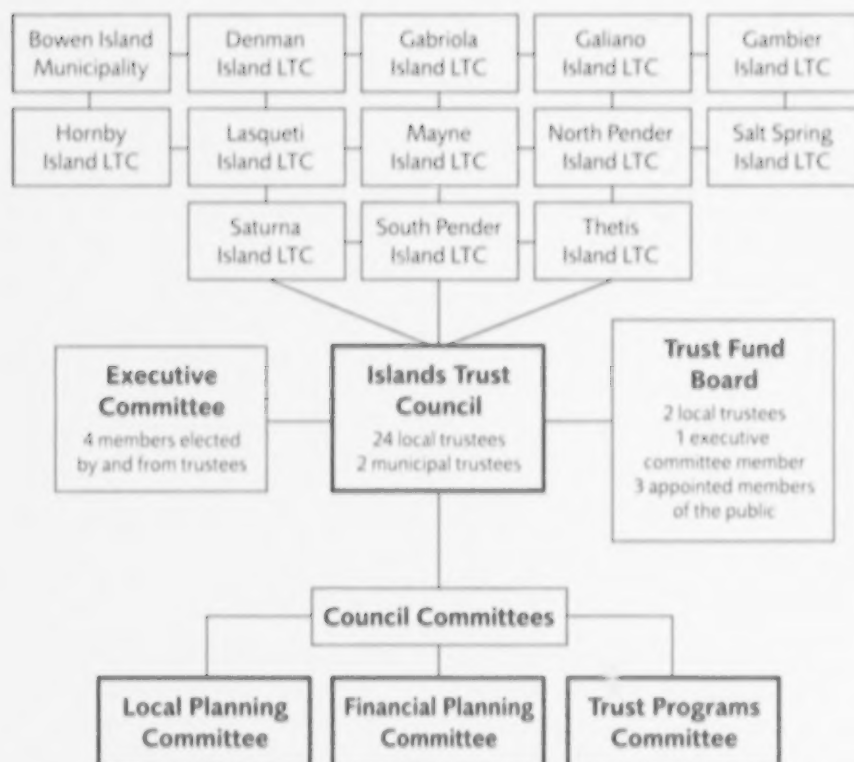
Kim Benson (Gambier)

Kathy Dunster (Bowen)

Tony Law (Hornby)

Islands Trust Legislative Structure

Local Trust Committees and Island Municipalities



ANNUAL REPORT 2003 – 2004

ACCOMPLISHMENTS

Islands Trust Area Highlights

Governance

Trust Area Governance Renewal

Trust Council continued to explore ways to modernize the unique government structure in the Trust Area. Initiated in 2002, the Islands Trust's Governance Renewal process addresses a number of current challenges and opportunities: unprecedented growth pressures on the fragile Gulf Island ecosystem; opportunities arising from local government changes within the *Community Charter* and creation of the first Island Municipality on Bowen Island; and increasing community interest in local governance options.

This year, Trust Council began a review of the following four targeted governance options:

- **Transfer of Land Use Authority:** assuming authority from other jurisdictions that may be willing to transfer, in particular, the building inspection function from regional districts, the subdivision approval authority from the Ministry of Transportation, and the decision-making about non-farm land uses and subdivision of ALR lands from the Agricultural Land Commission.
- **Island Service Coordination:** achieving more responsive services through the creation of joint committees of Regional District and Local Trust Committee representatives to coordinate the planning of future land uses and service delivery.
- **Legislated Object Dispute Resolution:** establishing a process to resolve issues that arise when a provincial initiative conflicts with the legislated object of the Islands Trust.
- **Differentiated Tax Requisition:** establishing a base level of service throughout the Islands Trust Area that all property tax portfolios pay for and a discretionary level that Local Trust Committees determine.

In addition to undertaking these renewal strategies, Council continued its ongoing program to monitor new legislation and suggest legislative changes to improve the functions of the Islands Trust.

Community Charter Implementation

In preparation for achieving compliance with the Community Charter (Bill 76) by the end of 2003, Trust Council adopted a model Meeting Procedures Bylaw for Local Trust Committees and amended its own bylaws and procedures. The Charter also introduces some new provisions regarding conflict of interest, the receipt of gifts and other standards of conflict for elected officials. These provisions will apply to all local government officials in British Columbia, including Local Trustees.

First Nations Relations

Many of the First Nations located within the Trust Area are participating in the British Columbia Treaty Process. "A Guide to Islands Trust Interests in Treaty Negotiations in the Islands Trust Area" was developed to encourage dialogue about governance and land use issues in the Islands Trust Area during treaty negotiations. The guide outlines Trust Council's views about various treaty negotiation topics, particularly related to the provincial interest in the Islands Trust object and the responsibilities of Local Trust Committees and Island Municipalities.

Council also approved a strategy for cooperation with the Hul'qumi'num Treaty Group, which has treaty interests in the southern Gulf Islands.

Natural Areas Protection Tax Exemption Program

The Natural Areas Protection Tax Exemption Program (NAPTEP) offers rewards to landowners who voluntarily protect natural, historical and recreational features of their property with conservation covenants. Trust Council continued development of this program with the launch of a pilot project in the Gambier Island Local Trust Area. The program will be extended in 2005 to islands in the Capital Regional District (Galiano, Mayne, North Pender, Salt Spring, Saturna and South Pender and many smaller islands).

Community Stewardship Awards

The 2003 Community Stewardship Awards were announced in September. From nineteen nominations, the following groups and individuals were selected to receive awards:

- **Bowen Island Forest and Water Management Society** for the creation of the Bowen Island geolibrary;
- **Islands in the Salish Sea Mapping Project** for producing a well received series of artistic community maps;
- **Tony Quinn** for his work towards acquiring the Link-Parsons property on Hornby Island;
- **Jenny Balke** for her work removing barriers to salmon on Valens Brook, Denman Island.

Executive Committee

In addition to the priorities of the Trust Council, the Executive Committee focused on the following topics during the year:

Chief Administrative Officer Appointment

On December 3, 2003, the Islands Trust Council announced the appointment of Linda Adams as Chief Administrative Officer, replacing Executive Director Gordon McIntosh. The appointment reflects a change in management structure that combines the roles of the Executive Director and Director of Trust Area Services and consolidates all Trust-wide program and policy functions in the Office of the Chief Administrative Officer.

Federal and Provincial Liaison

The Executive Committee continued liaison with the province regarding various aspects of the Islands Trust mandate such as governance and natural area protection regulations. The Islands Trust Council prepared a discussion paper regarding the proposed 'Working Forest'. Council also initiated a resolution at the Union of B.C. Municipalities convention requesting the withdrawal of Bill 48, a provincial initiative that could reduce local zoning control over aquaculture. The resolution received unanimous support at UBCM. Trust Council joined more than 90 local governments in opposition to Bill 75, a Bill that gives the province the ability to over-ride local government bylaws and most provincial statutes where it feels these regulations may delay a 'provincially significant' project.

The Executive Committee requested the Minister of Health Services to modify the province's proposed Meat Inspection Regulation which could require transport of livestock off-island and

have negative impacts on island farm businesses. The Executive Committee also responded to the Old Growth Order, an initiative of the Ministry of Sustainable Resource Management that is intended to clarify provincial objectives regarding the retention of old growth forest on provincial Crown Land when Forest Development Plans are prepared. Council has requested the Ministry to reconsider the use of Crown Land in the Trust Area for commercial forestry purposes and to ensure that it considers the provincial object of the Islands Trust before Old Growth Order classifications are finalized.

Proposed legislative amendments under discussion this year included: shifting responsibility for the appointment of members of the Islands Trust Fund Board from the Minister of Community, Aboriginal and Women's Services to the Islands Trust Council; changing the name of the Islands Trust Fund to the Islands Trust Conservancy; and, allowing Trust Council to hold elections by mail ballot in Local Trust Areas where most property owners are non-resident.

Trust Council partnered with Transport Canada to ensure awareness by pilots of sensitive wildlife habitat in the Trust Area and to advise pilots about local concerns about airplane noise. The Trust Council Chair also expressed concern regarding cruise ship impacts to Transport Canada, and recommended modifications to federal guidelines for cruise ship operation.

Executive Committee liaison highlights included:

- Meeting with Trust Area Members of the Legislative Assembly Murray Coell, North Saanich and the Islands, Graham Bruce, Cowichan-Ladysmith, Ted Nebbeling, West Vancouver-Garibaldi and Judith Reid, Nanamo-Parksville to discuss the Islands Trust strategic agenda; governance renewal; First Nations relations and treaty processes; and, aquaculture policy review.
- Meeting with Provincial Finance Minister Gary Collins and Provincial Minister of Skills, Development and Labour Minister Graham Bruce to discuss the Islands Trusts' Strategic Update and Governance Renewal.
- Meeting with Provincial Minister of State for the Community Charter Ted Nebbeling regarding Trust Area Governance.

External Communication

Ecosystem maps for the major islands in the Trust Area were made available on the Islands Trust website as a resource for individuals, governments and community groups. These maps describe both natural and modified ecosystems across Gulf Islands landscapes and are important tools for land use decision making.

The Islands Trust website use has doubled to approximately 9,000 visits per month since it was redesigned and updated in January 2003. Members of the public use the site frequently to download items of interest such as land use bylaws and census information. Overall, there were 88,434 visits to the Islands Trust website and 21,192 visits to the Islands Trust Fund website in 2003-2004.

An electronic newsletter was launched in 2003, increasing the Trust's ability to communicate ongoing activities and priorities. In addition, an ongoing news release program and a Communications Action Plan were developed and a staff Communications Group was established.

Trust Council Advisory Committees

There are three standing committees of Trust Council members appointed by the Chair, which advise on policy matters.

Local Planning Committee

Subdivision Approval Authority Transfer to Islands Trust

Local Planning Services examined the feasibility of transferring the subdivision approval authority from the Ministry of Transportation Approving Officers to the Islands Trust. This service transfer is compatible with the Islands Trust Governance Renewal initiatives that include consideration of service delivery efficiency, providing the Islands Trust the opportunity to deliver a comprehensive one-stop planning service for island constituents. Negotiations with the Ministry of Community, Aboriginal and Women's Services and the Ministry of Transportation are ongoing.

Affordable Housing Guidelines for Rural Areas

A discussion paper *"Options for Affordable Housing – New Solutions for the Housing Crisis in the Trust Area"* was released in 2003. The report stresses options for affordable housing that are most applicable to island communities in the Trust Area, and gives a foundation for a review of how projects might be initiated in island communities. The Local Planning Committee is exploring further actions to address affordable housing needs in island communities.

Vacation Rental Guidelines

Since Local Trust Committee bylaws vary on restrictions and interpretation of the definition of a vacation rental, the Local Planning Committee identified implementation options for Local Trust Committees as a top priority of its work program. A Temporary Use Permit was considered for use in regulating short term vacation rentals in residentially zoned areas, and a review of Official Community Plan policies and Land Use Bylaw regulations respecting vacation rentals continued throughout the year.

Official Community Plan/Land Use Bylaw Program Status Report

The South Pender Island Land Use Bylaw was adopted in December 2003. Specific amendments to the Hornby Island Official Community Plan and the existing Land Use Bylaw were completed, with work beginning on a comprehensive Land Use Bylaw. The North Pender Associated Islands Official Community Plan and Land Use Bylaws were adopted.

Land Use Bylaw Template Development

The Local Planning Committee developed a Land Use Bylaw template that could be used as a model for the development of new bylaws or the amendment of existing bylaws. This template will allow consistency in the appearance, style and format among Local Trust Committee bylaws, and provides clear language and ease of interpretation. The template conforms to general land use bylaw practices and conventions, and reflects the latest statutory language and case law.

Model Soil Removal and Deposit Bylaw

Local government in British Columbia can regulate but not prohibit the removal and deposit of soil unless they have the approval of the Minister of Mines. While local governments cannot prohibit quarries, they can regulate some of the associated activities in order to manage impacts on neighboring properties or environmentally sensitive areas. In response to concerns on several

islands about rock and gravel quarries in residential neighborhoods, the Local Planning Committee proposed a model bylaw that could be used in the Trust Area.

Trust Programs Committee

Marine Stewardship Sites Initiative

The Marine Stewardship Sites Initiative pilot project (initiated in 2001) was active on Hornby Island, pursuing a variety of issues: sewage dumping in Tribune Bay and the Strait of Georgia; Rockfish conservation and other fisheries issues within Helliwell Park; establishment of an ongoing whale-sighting network in the community; initiation of Department of Fisheries and Oceans' Shore Keeper's program; proposals for the development of a marine atlas; and ongoing community 'Marine Nights' to share information on various topics.

Crown Land Profiles

The Trust Programs Committee completed an internal and external review of Crown Land profiles for Hornby Island, internal drafts of Denman Island profiles and a response to the Working Forest Initiative.

Elections Procedures

The Trust Programs Committee continued planning for a pre-election mail-out to non-resident electors and associated island residents, and development of criteria to respond to requests for establishment of additional polling stations.

Groundwater Stewardship

The Islands Trust worked in partnership with the Earth Sciences Sector of Natural Resources Canada to develop educational materials about water stewardship in the Trust Area. These materials, including a wall poster and a web page will be available for use by island groups that wish to encourage protection of water quality and quantity. A second part of the partnership involves the development of maps that show aquifer vulnerability and estimate sustainable groundwater yields in the Trust Area.

The Islands Trust Chair wrote to the Minister of Health Services and the Minister of Water, Land and Air Protection to express Council's support for the timely implementation of the regulations under the Drinking Water Protection Act that will address quality and quantity concerns relevant to groundwater supplies.

The Hornby Island Groundwater Protection Forum continues to coordinate projects including: preservation and enhancement of groundwater recharge; water conservation; enabling approved grey water treatment and disposal; and reduction and elimination of aquifer pollution.

Financial Planning Committee

Financial Plan

On March 7, 2003, the Islands Trust Council approved a new annual budget for 2003-2004 of \$3,946,725. The budget covers a 3.5% increase in salaries required by the BCGEU collective agreement as well as several one-time programs, including

- Gabriola Office start up - \$8,000
- Regional Conservation Plan Mapping - \$25,000
- By law Enforcement Program improvements - \$7,000

- Equipment Lease/Maintenance and Technical Support - \$8,000
- Communications Program - \$15,000
- Office Ergonomic Standards compliance - \$15,000

Trust Council also approved \$10,000 for Trust Area Governance Renewal, to research governance options, engage in public discussion and present recommendations to the Province.

2003-2004 was a year of transition, as the Provincial Grant decreased by \$58,000 and Bowen Island Municipality's three-year contract for Islands Trust planning services came to an end, resulting in a drop of \$244,392 in revenues.

The 2003-2004 budget created a 5.7% property tax increase over the previous year. Islands Trust taxes account for approximately 10-20% of total property taxes, depending upon other jurisdictions listed on the tax bill.

Tax Requisition and Resource Allocation Model

Goals and principles for changes to Islands Trust resource allocation were in development this year. Trust Council and the Financial Planning Committee investigated a model for tax requisition and resource allocation which provides an equitable balance between property tax contributions, fee revenues, and the distribution of local planning services and other resources among Local Trust Areas.

Special Property Tax Requisition Policy

A policy was developed to guide Local Trust Committees through the process of developing a Special Property Tax Requisition for approval by Trust Council. A Local Trust Committee has the ability to raise money from their Trust Area for special projects that cannot be accommodated within the base budget of Islands Trust. The policy outlines a series of steps, including public consultation, that are required before approval by Trust Council. Once approved, the Special Property Tax Requisition is included in the Financial Plan bylaw that is forwarded to the provincial government for collection along with other property taxes.

Local Trust Committees and Island Municipalities

There is a local trust committee for each group of islands designated as a local trust area by regulation under the Islands Trust Act. A local trust committee is responsible for advancing the object of the Act through land use planning and regulation for its area of jurisdiction.

Day-to-day planning activities of Local Trust Committees and Island Municipalities included: application processing; public, agency and trustee inquiries; Local Trust Committee or Municipality meetings; and Board of Variance support.

Bowen Island Municipality

Councilors Alison Morse and Doug Bowen represented Bowen Island Municipality on the Islands Trust Council in the 2003–2004 term. Bowen Island Municipality produces its own annual report. Current reports are posted on the municipality's website at www.bimbc.ca; past reports can be obtained by contacting the municipality.

Denman Island Local Trust Committee

Planning priorities included zoning for an aquaculture tenure for the Comox First Nation; legal non-conforming dwellings and miscellaneous bylaw amendments. The bulletin "Regulation of Land Use on Denman Island Information for Newcomers and Residents" was released in October 2003.

Gabriola Island Local Trust Committee

Planning priorities included housekeeping bylaw amendments; home occupation review; the Mudge/Link Island Official Community Plan review; vacation rentals and bulk water sales.

Galiano Island Local Trust Committee

Planning priorities included the Road Network Plan, the Forestry Initiative, water policy, and recommendations for Official Community Plan/Land Use Bylaw amendments. Other matters of consideration included a rezoning proposal for the recycling facility, discussion on bylaw implications arising from split zoning and consideration of water policy issues associated with lands above 140 metres in elevation.

An Affordable Housing Needs Assessment on Galiano Island received funding under the Islands Community Sustainability Projects program. A survey will be conducted the Galiano Island Land and Community Housing Trust. Following a presentation at Trust Council by the Galiano Conservancy Association, the Islands Community Sustainability Projects program funded a project to identify ecologically sensitive areas.

Gambier Island Local Trust Committee

Planning priorities included Gambier Land Use Bylaw review and Keats planning review follow-up.

Hornby Island Local Trust Committee

Planning priorities included urgent items in the Land Use Bylaw and Phase III of the Groundwater Protection Project.

Funding was received under the Island Community Sustainability Projects program to appoint a Housing Review Committee. The committee will identify housing needs and options, and determine the appropriate policy and regulatory incentives to achieve such housing options in the community.

Lasqueti Island Local Trust Committee

Planning priorities included Rural Land Use Bylaw review amendments and the automobile compound yard.

Mayne Island Local Trust Committee

Planning priorities included: Land Use Bylaw amendments were adopted to update zoning standards; Official Community Plan Parks Policy and Visitor Accommodation Policies.

North Pender Island Local Trust Committee

Planning priorities included the adoption of the North Pender Associated Islands' Official Community Plan and Land Use Bylaw; an Official Community Plan Review and National Parks Impacts.

A watershed mapping project for Buck and Magic Lakes received funding under the Island Community Sustainability Projects program, as did a Sustainability Lecture Series on North Pender Island. This lecture series involves three speakers, each to speak on a topic related to the biophysical and human communities of North Pender Island. The lectures are intended to help islanders define issues related to a planned Official Community Plan review.

Salt Spring Island Local Trust Committee

Planning priorities included Vacation Rental Policy Review; Water Supply Study NSSWD; Land Use Bylaw Review of Agricultural Regulations; and seasonal cottage conversion to affordable housing.

A Community Energy Study received funding under the Island Community Sustainability Projects program, funded primarily by the Climate Change Action Fund Public Education and Outreach Program with participation by the Capital Regional District. The object of this study is to complete baseline consumption data, educate the community on greenhouse gas reductions, and to identify means of implementing reduction targets.

The Local Trust Committee considered bylaw amendments that would enable single family dwellings to be used for short term tourist accommodation of up to 30 days duration, conditional upon the property being the principal residence of the property owner. It became evident that it would be difficult to restrict the duration of rentals or to require that the property remain a principal residence of the owner. The bylaws were not adopted.

Saturna Island Local Trust Committee

Planning priorities included: Land Use Bylaw and Official Community Plan review and follow-up, and reduction of application fees. A new fees bylaw was adopted. Project work focused on home based enterprises, community amenity density reserve (CADR), non-conforming uses, camping and site density and siting regulations between cottages and residences, and the proposed logging of First Nations land. Trustee Johnstone was elected as the Islands Trust representative on the Gulf Islands National Park Reserve planning committee.

South Pender Island Local Trust Committee

Planning priorities included the Greenburn Lake Official Community Plan Designation Review, erosion problems on Pender Canal, and potential campground policies.

A fire hydrant feasibility study for Ainslie Point received funding under the Island Community Sustainability Projects program. This study will investigate the development of a fire hydrant system in the Ainslie Point area of South Pender and the possible extension to the school and medical clinic on North Pender.

Thetis Island Local Trust Committee

Planning priorities included the Official Community Plan Review – Phase II; a taskforce on vacation rentals and affordable housing; and zoning of Ladysmith Harbour Islands and Associated Islands of the Trust Area.

Trust Fund Board

Conservation Covenants

The following conservation covenants were completed with private landowners:

- Cottonwood Creek Covenant, North Pender Island (3.5 ha)
- Wymond Point, Sidney Island (10 ha)
- Old Point Farm, Saturna Island (9 ha)

Property Management

Management plans are tools that the Islands Trust Fund creates to guide the on-going use and protection of the nature reserves and nature sanctuaries that it holds. During the 2003-2004 fiscal year, the Board adopted the management plan for Loretta's Wood Nature Reserve on North Pender Island.

Audited Financial Statements of

THE ISLANDS TRUST

Year ended March 31, 2004

THE ISLANDS TRUST

Audited Financial Statements

Year ended March 31, 2004

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FINANCIAL REPORTING RESPONSIBILITY

The accompanying statements of The Islands Trust (the "Trust") are the responsibility of management. To ensure their integrity, objectivity and reliability, management has selected appropriate accounting policies that are consistent with generally accepted accounting principles for local governments as recommended by the Public Sector Board of the Canadian Institute of Chartered Accountants. The financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The Trust's accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well-defined division of responsibilities, accountability for performance and communication of standards of business conduct.

The Trust Council, acting through its Financial Planning and Audit Committees, oversees management's responsibilities for the financial reporting and internal control systems. The Committees meet periodically with management and the independent auditors to satisfy themselves that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to Trust Council.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the Trust have examined these financial statements and issued their report which follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings as to the integrity of the financial reporting process.

Chief Administrative Officer



KPMG LLP
Chartered Accountants
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AUDITORS' REPORT TO THE TRUSTEES OF THE ISLANDS TRUST

We have audited the consolidated statement of financial position of The Islands Trust as at March 31, 2004 and the consolidated statements of financial activities and fund balances and changes in financial position and the related statements of financial activities and fund balance for the general revenue and capital funds for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2004 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 6, 2004

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

STATEMENT A

March 31, 2004, with comparative figures for 2003

| | 2004 | 2003 |
|---|--------------|--------------|
| Financial Assets | | |
| Cash and short-term investments (note 2) | \$ 1,385,141 | \$ 1,506,809 |
| Accounts receivable | 150,666 | 62,223 |
| Prepaid expenses | 22,322 | 20,656 |
| | 1,558,129 | 1,589,688 |
| Liabilities | | |
| Wages and benefits payable | 579,485 | 619,426 |
| Accounts payable and accrued liabilities | 210,036 | 168,536 |
| Deferred revenue | 13,039 | 9,966 |
| Employee benefit obligations (note 3) | 109,258 | 93,999 |
| | 911,818 | 891,927 |
| Net financial assets | 646,311 | 697,761 |
| Physical assets (note 4) | 820,930 | 775,418 |
| Total net financial assets and physical assets | \$ 1,467,241 | \$ 1,473,179 |
| Islands Trust Position | | |
| General Revenue Fund (Statement D) (note 5) | \$ 646,311 | \$ 697,761 |
| Capital Fund and equity in capital assets (Statement E) | 820,930 | 775,418 |
| Total Islands Trust position | \$ 1,467,241 | \$ 1,473,179 |

Commitments (note 6)
Contingent liabilities (note 7)

See accompanying notes to financial statements.

Approved by the Trust Council:

Trustee

Trustee

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCES

STATEMENT B

Year ended March 31, 2004, with comparative figures for 2003

| | Budget 2004 | Actual 2004 | Actual 2003 |
|---|---------------------|---------------------|------------------|
| Revenue: | | | |
| Property tax - general | \$ 3,124,380 | \$ 3,124,380 | \$ 2,901,871 |
| Property tax levy - Bowen Island municipality | 98,810 | 98,810 | 88,944 |
| Planning contract - Bowen Island municipality | - | - | 244,392 |
| Provincial grant | 294,000 | 294,000 | 352,000 |
| Community planning grants | - | - | 9,131 |
| Fees and sales | 110,000 | 178,964 | 135,293 |
| Interest and other | 60,000 | 57,002 | 122,278 |
| | 3,687,190 | 3,753,156 | 3,853,909 |
| Expenditure (note 8): | | | |
| Council services | 829,383 | 767,963 | 874,789 |
| Local services | 2,615,290 | 2,680,855 | 2,842,857 |
| Trust Fund services | 377,052 | 355,788 | 354,680 |
| | 3,821,725 | 3,804,606 | 4,072,326 |
| Deficiency of revenue over expenditure | (134,535) | (51,450) | (218,417) |
| Fund balances, beginning of year | 1,473,179 | 1,473,179 | 1,490,484 |
| Asset acquisitions | 125,000 | 120,420 | 220,046 |
| Asset disposals | - | (74,908) | (18,934) |
| Fund balances, end of year | \$ 1,463,644 | \$ 1,467,241 | 1,473,179 |

See accompanying notes to financial statements.

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

STATEMENT C

Year ended March 31, 2004, with comparative figures for 2003

| | 2004 | 2003 |
|---|---------------------|---------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Deficiency of revenue over expenditure | \$ (51,450) | \$ (218,417) |
| Decrease in net financial assets other than cash | (70,218) | (8,905) |
| Decrease in cash | (121,668) | (227,322) |
| Cash and short-term investments, beginning of year | 1,506,809 | 1,734,131 |
| Cash and short-term investments, end of year | \$ 1,385,141 | \$ 1,506,809 |

See accompanying notes to financial statements.

THE ISLANDS TRUST

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE GENERAL REVENUE FUND

STATEMENT D

Year ended March 31, 2004, with comparative figures for 2003

| | Budget 2004 | Actual 2004 | Actual 2003 |
|--|----------------|----------------|----------------|
| Revenue: | | | |
| Property tax - general | \$ 3,124,380 | \$ 3,124,380 | \$ 2,901,871 |
| Property tax levy - Bowen Island municipality | 98,810 | 98,810 | 88,944 |
| Planning contract - Bowen Island municipality | - | - | 244,392 |
| Provincial grant | 294,000 | 294,000 | 352,000 |
| Community planning grants | - | - | 9,131 |
| Fees and sales | 110,000 | 178,964 | 135,293 |
| Interest and other | 60,000 | 57,002 | 122,278 |
| | 3,687,190 | 3,753,156 | 3,853,909 |
| Expenditure: | | | |
| Council services | 791,283 | 741,017 | 798,577 |
| Local services | 2,534,990 | 2,594,314 | 2,709,947 |
| Trust Fund services | 370,452 | 348,855 | 343,756 |
| | 3,696,725 | 3,684,186 | 3,852,280 |
| Excess (deficiency) of revenue over expenditure | (9,535) | 68,970 | 1,629 |
| Net transfers to Capital Fund | (125,000) | (120,420) | (220,046) |
| Change in fund balance | (134,535) | (51,450) | (218,417) |
| Fund balance, beginning of year | 697,761 | 697,761 | 916,178 |
| Fund balance, end of year (note 5) | \$ 563,226 | \$ 646,311 | \$ 697,761 |

See accompanying notes to financial statements.

THE ISLANDS TRUST

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE CAPITAL FUND

STATEMENT E

Year ended March 31, 2004, with comparative figures for 2003

| | Budget 2004 | Actual 2004 | Actual 2003 |
|---|-------------------|-------------------|-------------------|
| Expenditure: | | | |
| Council services | \$ 38,100 | \$ 26,946 | \$ 76,212 |
| Local services | 80,300 | 86,541 | 132,910 |
| Trust Fund services | 6,600 | 6,933 | 10,924 |
| | 125,000 | 120,420 | 220,046 |
| Excess of expenditure | (125,000) | (120,420) | (220,046) |
| Net transfers from General Revenue Fund | 125,000 | 120,420 | 220,046 |
| Change in fund balance | - | - | - |
| Fund balance, beginning of year | 775,418 | 775,418 | 574,306 |
| Asset acquisitions | 125,000 | 120,420 | 220,046 |
| Asset disposals | - | (74,908) | (18,934) |
| Fund balance, end of year | \$ 900,418 | \$ 820,930 | \$ 775,418 |

See accompanying notes to financial statements.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2004

The Islands Trust (the "Trust") is incorporated under The Islands Trust Act of British Columbia (as amended in 1989). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

1. Significant accounting policies:

The financial statements of the Trust are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Trust are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity.

Inter-departmental balances and organizational transactions are eliminated.

(b) Basis of accounting:

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues, and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting:

Funds within the financial statements consist of the general revenue and capital funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Short-term investments:

Short-term investments are recorded at cost.

(e) Physical assets:

Physical assets, comprised of capital assets and leasehold improvements, are recognized as expenditures in the period they are acquired. Donated capital assets are reported at estimated fair value at the time they are received. Physical assets are recorded at cost.

The Trust does not reflect amortization of physical assets in the financial statements.

(f) Community planning grants:

Planning grant revenue is recorded on the accrual basis to match the grant revenue against the related expenditures.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2004

1. Significant accounting policies (continued):

(g) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(h) Reserve accounts:

The reserve accounts (note 5) are non-statutory reserves established at the discretion of the Trust Council.

(i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the period. Actual results could differ from those estimates.

2. Cash and short-term investments:

| | 2004 | 2003 |
|-----------------------|--------------|--------------|
| Bank account balances | \$ 55,508 | \$ 272,080 |
| Term investments | 1,329,633 | 1,234,729 |
| | \$ 1,385,141 | \$ 1,506,809 |

3. Employee benefit obligations:

| | 2004 | 2003 |
|-----------------------|------------|-----------|
| Vacation | \$ 79,089 | \$ 68,737 |
| Compensatory time off | 30,169 | 25,262 |
| | \$ 109,258 | \$ 93,999 |

Employee benefit obligations represent accrued benefits as at March 31, 2004.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2004

4. Physical assets:

| | 2004 | 2003 |
|--|------------|------------|
| Office furniture, equipment, and computers | \$ 706,302 | \$ 670,177 |
| Denman Island Old School Site | 10,000 | 10,000 |
| Leasehold improvements | 104,628 | 95,241 |
| | \$ 820,930 | \$ 775,418 |

Denman Island Old School Site:

In 1993/94 the Denman Island Old School Site was sold to the Trust for \$10,000, which was donated by the Denman Island Ratepayers' Association who, in turn, leased the building from the Trust for 99 years for a total fee of \$10. The Trust agreed to facilitate the sale of the school between School District #71 and the Ratepayers' Association and to hold title to the property on behalf of the community.

5. General Revenue Fund:

The General Revenue Fund balance has been appropriated by resolution of Council as follows:

| | Beginning balance | Transfers and appropriations | 2004 Deficiency of revenue over expenditure | Ending balance |
|------------------------------|-------------------|------------------------------|--|----------------|
| Unappropriated balance: | | | | |
| Surplus | \$ 118,590 | 134,535 | (51,450) | 201,675 |
| Appropriated balance | | | | |
| reserve accounts: | | | | |
| General | 202,000 | 4,006 | - | 206,006 |
| Operating | 115,541 | (115,541) | - | - |
| Capital | 70,000 | (23,000) | - | 47,000 |
| Legal | 191,630 | - | - | 191,630 |
| | 579,171 | (134,535) | - | 444,636 |
| General Revenue Fund balance | \$ 697,761 | - | (51,450) | 646,311 |

During the year, the Trust budgeted an amount of \$134,535 as an appropriation of reserves for operations.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2004

6. Commitments:

The Trust is committed to leases over rented premises and equipment. Minimum future payments in the next five years are as follows:

| | Premises | Equipment |
|------|------------|-----------|
| 2005 | \$ 187,128 | \$ 16,552 |
| 2006 | 187,128 | 5,328 |
| 2007 | 107,000 | 888 |
| 2008 | 28,872 | - |

7. Contingent liabilities:

The Trust is defendant in one lawsuit as of March 31, 2004. Included in other liabilities is \$10,000 (2003 - \$10,000) in respect of legal claims as quantified by the Trust's solicitor.

8. Expenditures by object:

| | 2004 | 2003 |
|---------------------------------|--------------|--------------|
| Salaries and benefits | \$ 2,275,462 | \$ 2,323,139 |
| Travel/training and recruitment | 107,071 | 121,802 |
| Council and trustee costs | 440,301 | 437,496 |
| Office operations | 473,280 | 439,319 |
| Programs | 239,352 | 277,099 |
| Legal and elections | 148,720 | 253,425 |
| Equipment | 120,420 | 220,046 |
| | \$ 3,804,606 | \$ 4,072,326 |

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2004

9. Pension plan:

The employees and employers of the Public Service and Miscellaneous Employers contribute to the Public Service Pension Plan (the "plan"), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer defined benefit pension plan with over 58,000 active plan members and approximately 27,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation, as at March 31, 2003, indicated a \$546 million surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers. The Islands Trust paid \$115,950 for employer contributions to the plan in fiscal 2004.

10. Related parties:

The Trust is related to The Islands Trust Fund (the "Fund") through the composition of the Fund's Board. The Fund's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Community, Aboriginal and Women's Services.

For financial reporting purposes, the Trust and the Fund are reported on separately. These financial statements present the financial position and results of operations of the Trust.

The Fund's annual program expenses are funded by and reported as part of the Trust in accordance with The Islands Trust Act. These expenses are summarized as follows:

| | 2004 | 2003 |
|----------------|------------|------------|
| Programs | \$ 273,756 | \$ 269,142 |
| Board | 11,086 | 12,917 |
| Administration | 70,946 | 72,621 |
| | \$ 355,788 | \$ 354,680 |

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Audited Financial Statements of

THE ISLANDS TRUST FUND

Year ended March 31, 2004



KPMG LLP
Chartered Accountants

St. Andrew's Square II
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Victoria BC V8W 3Y7

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AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of financial position of The Islands Trust Fund as at March 31, 2004 and statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the Trust Fund derives revenue from grants and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from grants and donations was limited to the amounts recorded in the records of the Trust Fund and we were not able to determine whether any adjustments might be necessary to grant and donations revenue, excess (deficiency) of revenue over expenditures and Fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Trust Fund as at March 31, 2004 and the results of its operations and the changes in its fund balance for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Accountants

Victoria, Canada

May 11, 2004

THE ISLANDS TRUST FUND

Statement of Financial Position

March 31, 2004, with comparative figures for 2003

| | General Fund | Restricted Fund | Capital Fund | Endowment Fund | 2004 Total | 2003 Total |
|--|-----------------|--------------------|-----------------|-------------------|---------------|---------------|
| Assets | | | | | | |
| Cash | \$ 22,543 | \$ 25,102 | \$ - | \$ - | \$ 47,645 | \$ 48,816 |
| Short-term investment | - | - | - | 88,000 | 88,000 | 90,539 |
| Land (note 2) | - | - | 2,440,903 | 2,654,000 | 5,094,903 | 5,094,903 |
| | \$ 22,543 | \$ 25,102 | \$ 2,440,903 | \$ 2,742,000 | \$ 5,230,548 | \$ 5,234,258 |
| Fund Balances | | | | | | |
| Unrestricted | \$ 22,543 | \$ - | \$ - | \$ - | \$ 22,543 | \$ 18,106 |
| Investment in land (note 2) | - | - | 2,440,903 | - | 2,440,903 | 2,440,903 |
| Internally restricted (note 3) | - | 16,045 | - | - | 16,045 | 15,710 |
| Externally restricted (note 3) | - | 9,057 | - | - | 9,057 | 17,539 |
| Restricted for endowment purposes (note 4) | - | - | - | 2,742,000 | 2,742,000 | 2,742,000 |
| Contingent liability (note 6) | \$ 22,543 | \$ 25,102 | \$ 2,440,903 | \$ 2,742,000 | \$ 5,230,548 | \$ 5,234,258 |

See accompanying notes to financial statements.

Approved by the Trust Fund's Board:

_____ Board member

_____ Board member

THE ISLANDS TRUST FUND

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2004, with comparative figures for 2003

| | General Fund | Restricted Fund | Capital Fund | Endowment Fund | 2004 Total | 2003 Total |
|---|-----------------|--------------------|-----------------|-------------------|---------------|---------------|
| Revenue: | | | | | | |
| Donations in cash | \$ 4,410 | \$ 2,817 | \$ - | \$ - | \$ 7,227 | \$ 93,259 |
| Grants in cash | - | 12,052 | - | - | 12,052 | - |
| Rental income | - | 6,175 | - | - | 6,175 | - |
| Other income | 2,837 | - | - | - | 2,837 | - |
| Donations of land | - | - | - | - | - | 185,000 |
| Investment income | 334 | 2,465 | - | - | 2,799 | 2,792 |
| | 7,581 | 23,509 | - | - | 31,090 | 281,051 |
| Expenditures: | | | | | | |
| Victoria Real Estate Board | - | 15,000 | - | - | 15,000 | 10,000 |
| Repairs and maintenance – Alton Property | - | 16,656 | - | - | 16,656 | - |
| Other | 3,144 | - | - | - | 3,144 | 80,899 |
| | 3,144 | 31,656 | - | - | 34,800 | 90,899 |
| Excess (deficiency) of revenue over expenditures | 4,437 | (8,143) | - | - | (3,710) | 190,152 |
| Fund balances, beginning of year | 18,106 | 33,249 | 2,440,903 | 2,742,000 | 5,234,258 | 5,044,106 |
| Fund balances, end of year (notes 2, 3 and 4) | \$ 22,543 | \$ 25,102 | \$ 2,440,903 | \$ 2,742,000 | \$ 5,230,548 | \$ 5,234,258 |

See accompanying notes to financial statements,

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2004

The Islands Trust (the "Trust") is incorporated under the Islands Trust Act of British Columbia (as amended in 1989). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

The Islands Trust Fund (the "Trust Fund") is empowered to accept donations, grants and bequests on behalf of the Trust and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Community, Aboriginal and Women's Services.

For financial reporting purposes, the Trust and the Trust Fund are reported on separately. These financial statements present the financial position and changes in fund balances of the Trust Fund.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Fund accounting:

The Trust Fund follows the restricted fund method of accounting for contributions.

The General Fund reports unrestricted resources.

The Capital Fund reports the assets, liabilities, revenue and expenditures related to the Fund's capital assets.

The Endowment Fund reports resources that are contributed for endowment purposes.

The Restricted Fund reports the assets, liabilities, revenue and expenditures related to internally and externally restricted assets.

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution.

(c) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as direct increases in the Endowment Fund balance.

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2004

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Interest income earned on Endowment Fund resources is restricted for the purpose of maintaining certain specified property and is recognized in the Restricted Fund. Interest income of internally restricted funds is recognized as revenue of the Restricted Fund. Other interest income is recognized as revenue of the General Fund when earned.

All other forms of income are recognized as revenue of the General Fund when received or receivable.

(d) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. Land:

| | Acquisition date | 2004 | 2003 |
|---|------------------|--------------|--------------|
| Inner Island Nature Reserve, Denman Island | 1992 | \$ 70,000 | \$ 70,000 |
| Coats Millstone Reserve, Gabriola Island | 1994 | 100,000 | 100,000 |
| Medicine Beach Nature Sanctuary, North Pender Island | 1996 | 477,000 | 477,000 |
| Cunningham Reserve, Salt Spring Island | 1994 | 265,000 | 265,000 |
| Deep Ridge Reserve, Salt Spring Island | 1992 | 255,000 | 255,000 |
| Lower Mt. Erskine Nature Reserve, Salt Spring Island | 1996 | 284,000 | 284,000 |
| Kwel Nature Sanctuary, Lasqueti Island | 1997 | 195,497 | 195,497 |
| Singing Woods Nature Reserve, Bowen Island | 1999 | 157,000 | 157,000 |
| Trincomali Nature Sanctuary, Galiano Island | 2001 | 242,406 | 242,406 |
| Horton Bayviary Nature Reserve, Mayne Island | 2002 | 210,000 | 210,000 |
| Loretta's Wood Nature Sanctuary, North Pender Island | 2003 | 185,000 | 185,000 |
| | | \$ 2,440,903 | \$ 2,440,903 |

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2004

3. Restricted Fund balances:

| | 2004 | 2003 |
|--|-----------|-----------|
| Internally restricted: | | |
| South and West Salt Spring Conservation | \$ 1,616 | \$ 1,582 |
| McFadden property | 14,429 | 14,128 |
| | 16,045 | 15,710 |
| Externally restricted: | | |
| Alton Nature Reserve - earnings on endowment | 4,972 | 2,539 |
| Victoria Real Estate Board Project | - | 15,000 |
| Laughlin Lake | 459 | - |
| Chickadee Lake | 2,395 | - |
| Williams Covenant | 1,231 | - |
| | 9,057 | 17,539 |
| | \$ 25,102 | \$ 33,249 |

4. Restricted for endowment purposes:

| | Acquisition date | 2004 | 2003 |
|---|------------------|--------------|--------------|
| Alton Nature Reserve - maintenance | | \$ 88,000 | \$ 88,000 |
| Alton Nature Reserve, Salt Spring Island | 2002 | 454,000 | 454,000 |
| Lindsay Dickson Nature Reserve, Denman Island | 2001 | 2,200,000 | 2,200,000 |
| | | 2,654,000 | 2,654,000 |
| | | \$ 2,742,000 | \$ 2,742,000 |

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2004

5. Related party:

The Trust is related to the Trust Fund through the composition of the Trust Fund's Board. The Trust Fund's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Community, Aboriginal and Women's Services.

The Trust Fund's annual program expenses are funded by and reported as part of the Trust in accordance with The Islands Trust Act. The expenses are summarized as follows:

| | 2004 | 2003 |
|----------------|------------|------------|
| Programs | \$ 273,756 | \$ 269,142 |
| Board | 11,086 | 12,917 |
| Administration | 70,946 | 72,621 |
| | \$ 355,788 | \$ 354,680 |

6. Contingent liability:

Two properties owned by the Trust Fund Board, the Lindsay Dickson property on Denman Island, and the Alton property on Salt Spring Island, were donated on the condition that the properties be used and managed in certain ways. The Lindsay Dickson property was donated "for so long as the land is used as a nature reserve for the use, benefit and enjoyment of the residents of B.C.". The Alton property is to be held, managed and preserved for its ecological environment and scenic features and not as a recreational park. The residence, gardens and driveway are to be preserved and managed for non-profit purposes.

In the event that these properties are not managed accordingly, the properties could revert to the Province of British Columbia in the case of the Lindsay Dickson Nature Reserve, and to the Executors of the donor's estate in the case of the Alton Nature Reserve.

7. Statement of cash flows:

A statement of cash flows has not been prepared as the cash flows are readily apparent in the accompanying financial statements.

8. Fair value of financial assets:

The carrying value of the Trust Fund's cash and short-term investments approximates their fair value due to the short period to maturity of the instruments.

9. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



Islands Trust



Islands Trust Fund

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